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## **Thailand**

# **Cotton and Products Update**

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#### **Report Highlights:**

MY2016/17 cotton imports are likely to recover from a recent downturn in anticipation of a sustained economic recovery and increased domestic demand for garments in the first half of the year. MY2015/16 cotton imports were lower than expected as imports of yarn surged causing Thai spinners to increase their yarn inventories.

#### Post:

Bangkok

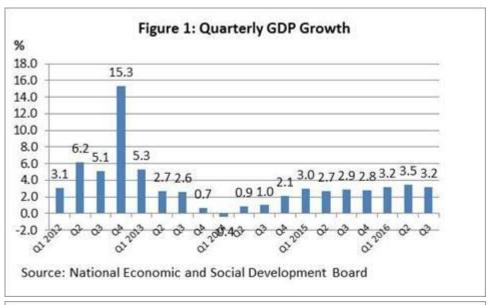
#### **Executive Summary:**

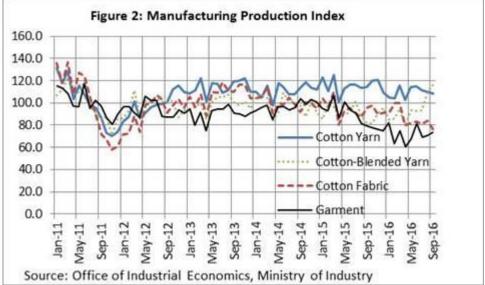
MY2016/17 cotton imports are expected to increase 6 percent to 1.4 million bales as spinning mills are running down their large inventories of yarn due to a sustained economic recovery and higher-than-expected demand for black clothing to wear for the mourning period following the passing of King Bhumibol Adulyadej on October 13, 2016. Imports of U.S. cotton are likely to increase to 450,000 bales due to competitive prices and high-quality standards at many mills.

MY2015/16 cotton imports are lower-than-expected at around 1.3 million bales, down 13 percent from MY2014/15 as spinning mills were forced to hold large inventories of yarn. Thai spinners faced competition from relatively cheaper cotton yarn imports, notably from Vietnam and India, which increased 44 percent from the previous year. Imports of U.S. cotton declined 15 percent from MY2014/15. However, U.S. market share remained unchanged at approximately one-third of total cotton import demand. Meanwhile, Brazilian cotton imports increased significantly and gained market share at the expense of Australian and African cotton imports.

### **Updated Market Situation and Outlook for Upland and Valued-Added Cotton**

MY2016/17 cotton imports are forecasted to increase to around 1.4 million bales, up approximately 6 percent from MY2015/16 (Table 1). Thai spinning mills are expected to recover from the economic downturn over the past couple of years in anticipation of a sustained economic recovery in 2016 – 2017. According to the most recent official economic forecast by the National Economic and Social Development Board, the Thai economy is expected to grow at a rate of 3-4 percent in MY2016/2017 (Figure 1). Additionally, spinning mills reportedly ran down their large inventories of cotton and cotton-blended yarn due to higher-than-expected demand for black clothes in the last quarter of 2016 resulting from the passing of King Bhumibol Adulyadej on October 13, 2016. The official mourning period will take for a year. Presently, spinning mills' capacity utilization has increased to an average of around 60 percent of full capacity, up approximately 3 percent from the same period last year. Production of cotton and cotton-blended yarn increased approximately 12 percent in the first two month of MY2016/17 (Figure 2).



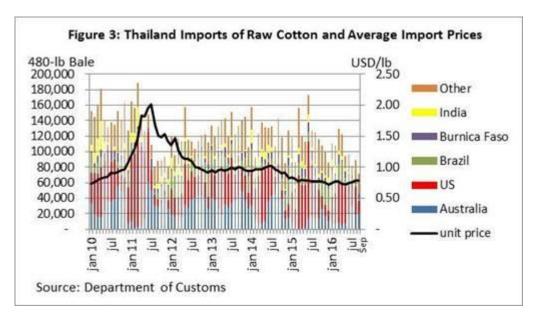


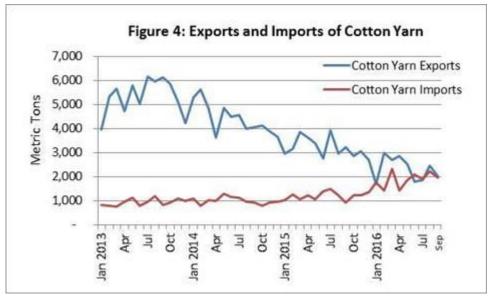
MY2016/17 imports of U.S. cotton are expected to increase to 450,000 bales, up 6 percent from MY2015/16. Large-scale spinning mills which account for approximately 60 percent of total cotton yarn production still maintain their competitive edge in domestic and export markets as they have invested in new machinery and improved their production efficiency. These mills are the main customers of U.S. cotton. Also, many small-scale spinning mills reportedly preferred U.S. cotton to cotton from other origins, particularly for mixed grade cotton due to its competitive prices and high-quality standards. However, competition from cheaper yarn imports from Vietnam and India will likely remain a challenge to domestic yarn producers, particularly for small-scale spinning mills.

MY2015/16 cotton imports were lower than expected at around 1.3 million bales, down 13 percent from MY2014/15 (Figure 3). This reflected a reduction in cotton and cotton-blended yarn production which declined approximately 5 percent as spinning mills were forced to hold large inventories of yarn. Imports of cotton yarn increased 44 percent from MY2014/15 (Figure 4) with cotton yarn imports from

Vietnam and India doubling. Additionally, exports of cotton yarn declined 28 percent from the previous year, particularly to China and Japan due to an economic slowdown and competition from Vietnam. These two countries accounted for approximately 70 percent of total cotton yarn exports from Thailand.

MY2015/16 imports of U.S. cotton declined to 424,113 bales, down 15 percent from MY2014/15 (Table 2). However, U.S. cotton still maintained its market share accounting for approximately one-third of total cotton import demand. Meanwhile, medium-scale spinners who limited their purchases to cheap cotton to maintain their operations imported more Brazilian cotton. Imports of Brazilian cotton increased significantly to 233,993 bales, up 12 percent from the previous year. Brazil's market share increased to 18 percent of total cotton imports, compared to 8 percent in MY2014/15 at the expense of Australian and African cotton imports.





Appendix Table
Table 1: Thailand's Cotton Production, Supply, and Demand

Cotton	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Γhailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1	0	1	0	1
Area Harvested	1	1	1	1	1	1
Beginning Stocks	240	240	217	189	219	172
Production	2	2	2	2	2	2
<b>Imports</b>	1475	1473	1275	1277	1225	1350
MY Imports from U.S.	0	496	0	424	0	450
Fotal Supply	1717	1715	1494	1468	1446	1524
Exports	0	1	0	1	0	1
Use	1475	1500	1250	1270	1200	1320
Loss	25	25	25	25	25	25
Total Dom. Cons.	1500	1525	1275	1295	1225	1345
Ending Stocks	217	189	219	172	221	178
Total Distribution	1717	1715	1494	1468	1446	1524
(1000 HA) ,1000 480	lb. Bales					

Unit: 480-lb bale	s imports of rai	Cotton (Mar.	keting Year: A	agase raiy)		
	MY2011/12	MY2012/13	MY2013/14	MY2014/15	MY2015/16	% change
United States	282,144	446,398	530,639	496,126	424,113	-14.5
Australia	325,603	409,080	334,533	213,526	162,152	-24.1
Brazil	228,095	246,196	137,640	208,438	233,993	12.3
Mali	20,730	29,783	86,590	122,410	107,453	-12.2
Burkina Faso	23,974	74,522	84,689	104,546	73,575	-29.6
Cote d Ivoire	21,990	26,422	58,430	64,269	60,474	-5.9
India	86,607	34,221	93,615	56,090	61,148	9.0
Tanzania	16,913	20,743	32,339	30,027	7,390	-75.4
Pakistan	88,189	16,407	20,556	27,450	10,988	-60.0
Argentina	27,009	21,947	21,696	23,980	13,670	-43.0
Mexico	8,374	9,150	5,785	16,795	2,750	-83.6
Zimbabwe	45,765	34,376	12,831	14,839	5,305	-64.2
Spain	943	4,995	16,138	13,031	3,809	-70.8
Benin	5,202	10,472	16,221	10,424	17,032	63.4
Others	90,616	129,928	98,823	70,895	92,872	31.0
World	1,272,153	1,514,639	1,550,525	1,472,847	1,276,724	-13.3